

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
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8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OLL				
16	C/PAO				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20	N/O/ETCN	✓			
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SUSPENSE _____
Date _____

Remarks

JSC
Executive Secretary
3/13/84
Date

3637 (10-81)



THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

March 12, 1984

Executive Registry

84-996

~~UNCLASSIFIED~~

(With ~~Secret~~ Attachment)

MEMORANDUM FOR THE VICE PRESIDENT

THE SECRETARY OF STATE

THE SECRETARY OF DEFENSE

THE SECRETARY OF AGRICULTURE

THE SECRETARY OF COMMERCE

DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

✓ DIRECTOR OF CENTRAL INTELLIGENCE

UNITED STATES TRADE REPRESENTATIVE

ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

ASSISTANT TO THE PRESIDENT & DEPUTY TO THE CHIEF
OF STAFF

ASSISTANT TO THE PRESIDENT FOR CABINET AFFAIRS

CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS

ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT

SUBJECT

Senior Interdepartmental Group on
International Economic Policy (SIG-IEP)

A meeting of the SIG-IEP is scheduled to be held on
Wednesday, March 14, 2:00 p.m., in the Roosevelt Room.

The agenda is as follows:

1. Renewal of US-USSR Agreement on Economic, Industrial, and
Technical Cooperation; and
2. LDC Update - Argentina, Venezuela.

A discussion paper on agenda item 1 prepared by the State
Department is attached.

Attendance will be principal, plus one.


Donald T. Regan

Attachment

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(With ~~Secret~~ Attachment)



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RENEWAL OF US-USSR AGREEMENT
ON ECONOMIC, INDUSTRIAL AND TECHNICAL COOPERATION

ISSUE FOR DECISION:

Whether to extend the US-USSR Agreement on Economic, Industrial and Technical Cooperation, which expires on June 28, 1984.

Under the terms of the Agreement, the two parties are obliged to consult about its future "not later than six months prior" to the expiration date, i.e., by December 27, 1983. The Soviets have been informed that we are still considering whether to renew this Agreement.

Background

This Agreement was signed by Presidents Nixon and Brezhnev during the 1974 Moscow Summit. Since the bilateral Trade Agreement negotiated in 1972 never entered into force, it is the only US-Soviet accord relating to the conduct of economic relations.

The provisions of the Agreement are broad, obligating its parties to little more than using "their good offices to facilitate economic, industrial, and technical cooperation in keeping with ... applicable laws and regulations in the respective countries." Despite the Agreement's references to "technical cooperation", this is an exclusively economic agreement. No cooperative programs or projects in scientific, industrial or technical fields have been conducted under the Agreement. Cooperation in various scientific and technical fields is regulated by separate bilateral agreements. The Agreement's English-language text is attached.

The Agreement has had limited practical application amid the shifts in US-Soviet relations of the past ten years. The US-USSR Commercial Commission is "authorized and directed to monitor the practical implementation" of the Agreement. The Commercial Commission, a Cabinet-level body (the Secretaries of the Treasury and Commerce are members), has not met in five years; we postponed indefinitely a session scheduled for Washington in April, 1980, as part of the sanctions package announced in the wake of the invasion of Afghanistan. For the same reason, the experts' meetings envisioned in the Agreement have not taken place for some years.

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The Agreement's most specific and most useful provision has been Article IV, on business facilitation. This provision encompasses several undertakings essential to American firms operating in the Soviet Union, including lease of business and residential premises, importation of office supplies, issuance of visas, hiring of staff, and business travel. These undertakings apply to both countries. As a similar provision in the 1972 Trade Agreement is not officially in force, this provision is the only official bilateral undertaking assuring acceptable working conditions in the USSR for American companies. The Agreement may be at least partially responsible for the Soviets' continuing to accord normal treatment to U.S. firms through the downturn in overall bilateral relations of recent years. At the same time, we continue to control the Soviet commercial presence in this country tightly.

Consultations with the USSR mandated if the Agreement is to remain in force need not be a formal negotiating session, but simply a low-key exchange of intentions (by diplomatic note) to continue the Agreement.

Agency Views

The following arguments favoring renewal were advanced by agencies concerned during IG-level review:

-- It would be consistent with our policy of pursuing a constructive dialogue with the Soviets where possible and with NSDD-75's directive that the U.S. "should not further" dismantle the framework of exchanges. Renewal would also implement the provision in NSDD-75, reaffirmed at the June NAC Ministerial, supporting "mutually beneficial trade" in non-strategic areas with the USSR.

-- It maintains a component of the structure for bilateral economic relations that could serve as a basis for expanded bilateral trade, should improved Soviet behavior permit.

-- It will not commit us to any new trade initiatives. Nor would it prevent us from imposing trade sanctions, if necessary, since Article I makes the Agreement subject to "applicable laws and regulations" in each country.

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-- It is the only official bilateral undertaking which ensures that American firms will enjoy acceptable working conditions in the USSR.

-- Failure to renew the Agreement would be cited as evidence that U.S. support for peaceful trade is lacking, particularly in light of other measures we have taken or contemplated against US-Soviet trade (our ban on Soviet nickel, and the International Trade Commission investigation of Soviet ferrosilicon exports).

-- Renewal would be fully consistent with and support our new long-term grain agreement with the USSR.

-- The President, building on our demonstrated realism and strength, called in his January 16 speech on U.S.-Soviet relations for a constructive dialogue with the Soviet Union. A decision to renew the Agreement would be fully consistent with our approach to the new Chernenko leadership.

One argument was advanced in favor of not renewing the Agreement, that this would "support our policy" of allowing bilateral agreements with the USSR to lapse as their terms run out. (In fact, NSDD 75 states "The U.S. should not further dismantle the framework of exchanges.") It was argued that the language in the document in question is no longer appropriate for the current state of our relationship, after Afghanistan, Poland and the KAL incident. According to this view, arguments against appearing to engage in 'economic warfare' would have more force if the Soviet Union were not supporting international terrorism and Syrian attacks in Lebanon and if they had not recently walked out of the arms control talks.

Several agencies commented that renewal of the Agreement was a political, as well as economic question, and recommended that the Senior Interdepartmental Group discuss the matter prior to any decision on extending the Agreement.

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